



# FACT SHEET

## *U.S.-Peru Trade Promotion Agreement* California Farmers Will Benefit

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The U.S.-Peru Trade Promotion Agreement (PTPA) provides increased market access to California's agricultural exports by making agricultural trade a two-way street and leveling the playing field with respect to third country competitors in the Peruvian market. With immediate elimination of duties on nearly 90 percent of current U.S. trade to Peru, the PTPA will provide California producers and exporters the opportunity not only to preserve but to increase market share in Peru. The American Farm Bureau and over 40 other agricultural industry and farm groups strongly support the agreement stating that the agreement would benefit all U.S. agricultural sectors and allow the United States to become a competitive supplier of agricultural products to Peru.

Exports of farm products boost California's farm prices and income. Such exports support about 124,100 jobs both on and off the farm in food processing, storage, and transportation. Agricultural exports amounted to \$10.5 billion and made an important contribution to California's farm cash receipts in 2006 that totaled \$31.4 billion.

**Dairy.** As the nation's largest producer and exporter of dairy products, with cash receipts of \$4.4 billion, California's dairy producers benefit from the PTPA.

- Under the PTPA, Peru will immediately eliminate its system of variable levies (price bands) facing U.S. exporters. Under the system, tariffs can be as high as the World Trade Organization (WTO) ceiling of 68 percent on some dairy products.
- Peru will immediately eliminate tariffs on whey.
- Both Peru and the United States will establish duty-free tariff-rate quotas (TRQs) for certain dairy products totaling 10,000 tons.
- TRQs will grow by ten percent compounded annually, with certain dairy products subject to safeguards during the tariff phase-out period.
- All Peruvian duties on dairy products will be eliminated within 17 years, with duties on some dairy products eliminated earlier.
- *The National Milk Producers Federation, the U.S. Dairy Export Council, the Grocery Manufacturers of America, the International Dairy Foods Association, and the Food Products Association publicly support the PTPA.*

**Fruits.** As the nation's leading exporter of fruits and preparations, California's fruit producers benefit from the PTPA.

- Current duties on fruit and preparations are 25 percent in Peru, and under WTO rules, could rise to as high as 30 percent.
- California's grape producers provide the state's third largest source of cash farm receipts with \$3.2 billion. California's stone fruit producers provide over \$456 million in cash receipts.
- Under the PTPA, Peru will immediately eliminate tariffs on grapes and stone fruit.
- *The California Table Grape Commission publicly supports the PTPA.*

**Tree Nuts.** Accounting for over \$3 billion in state farm cash receipts, California's almond, pistachio and walnut producers benefit from the PTPA.

- Current duties on tree nuts are 25 percent in Peru, and under WTO rules, could rise to as high as 30 percent.
- Peru will immediately eliminate these tariffs.
- *Blue Diamond Growers publicly supports the PTPA.*

**Vegetables.** As the nation's number one leader in exports and value of sales, California's vegetable growers and processors benefit from the PTPA.

- Current duties on vegetables and preparations are 12 to 25 percent in Peru, and under WTO rules, could rise to as high as 30 percent.
- With over \$1.6 billion in state farm cash receipts, California lettuce producers benefit from PTPA, as do its tomato producers and broccoli producers with over \$1.1 billion and nearly \$600 million in farm cash receipts, respectively.
- Peru will immediately eliminate tariffs on these products.
- *The American Frozen Food Institute, the Grocery Manufacturers of America, and the Food Products Association publicly support the PTPA.*

**Rice.** As the nation's second largest rice exporter, California's rice producers benefit from the PTPA.

- U.S. rice exporters currently face a system of variable levies (price band system) that result in tariffs as high as the WTO ceiling of 68 percent.
- Peru will immediately eliminate the price band system on imports from the United States.
- Peru will establish a 74,000-ton, zero-duty rice TRQ that will grow six percent compounded annually. All rice types will be eligible for the TRQ with the quantity on a milled-equivalent basis. The over-quota tariff will be phased out over 17 years with no reduction during the first eight years.
- *The USA Rice Federation publicly supports the PTPA.*

**Cotton.** As the nation's fifth largest cotton exporter, California's cotton producers benefit from PTPA.

- The PTPA provides for reciprocal elimination of all cotton duties.
- Under the PTPA, Peru will immediately eliminate the 12-percent tariff (30-percent allowed by the WTO) facing U.S. exporters.
- The Peruvian market is worth almost \$50 million to U.S. cotton suppliers.

**Beef.** With cash receipts of nearly \$1.7 billion, California's ranchers and beef industry benefit from the PTPA.

- Peru will immediately eliminate the 25-percent duties (30-percent allowed by the WTO) on the beef products of most importance to the U.S. beef industry – Prime and Choice cuts.
- U.S. exporters of variety meats (offals) will immediately receive duty-free access under a 10,000-ton TRQ that will grow six percent compounded annually. The 12-percent over-quota tariff will be phased out over ten years.
- Peru will provide immediate duty-free access for U.S. exports of standard quality beef through the establishment of an 800-ton TRQ that will grow six percent compounded annually. The 25-percent over-quota tariff will be phased out over 11 years.
- The United States will phase out its beef tariffs over 15 years except for those tariffs that are already duty-free under the Andean Trade Promotion and Drug Eradication Act (ATPDEA). The PTPA will continue the duty-free treatment.
- Peru agreed to continue to recognize the equivalence of the U.S. meat inspection and certification system to its own system.
- *The American Meat Institute, the National Cattlemen's Beef Association, the National Renderers Association, the U.S. Meat Export Federation, the US Hides, Skin and Leather Association, U.S. Livestock Genetics Export, Inc., and the Pet Food Institute publicly support the PTPA.*

**Wines.** As the nation's number one exporter, California's wine producers will benefit from the PTPA.

- Current duties on wine are nine and 17 percent in Peru, and under WTO rules, could rise to as high as 30 percent.
- California wine producers benefit from the immediate duty elimination on wine in containers containing two to four liters. Additionally, Peru will phase out duties on wine in 2-liter bottles or less over three years and on sparkling wine over five years.
- *Wine America publicly supports the PTPA.*